

## Message Text

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16

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AEC-11 AID-20 CEA-02 CIEP-02 COME-00

EB-11 FEA-02 FPC-01 INT-08 OMB-01 SAM-01 SCI-06

STR-08 TRSE-00 DRC-01 /186 W  
----- 075184

R 032007Z APR 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0643

INFO AMEMBASSY BEIRUT

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: ENRG, IN, IR, IZ

SUBJ: ENERGY: MORE ON OIL PRICE CONCESSIONS FROM IRAQ--  
AND RELATIONSHIP TO INDO/IRANIAN AGREEMENT

REF: A) NEW DELHI 3601; B) NEW DELHI 4234; C) NEW  
DELHI 8086, JULY 11, 1973

1. IN WHAT APPEARS TO BE A REPORT COMING FROM OFFICIAL  
SOURCES, THE FINANCIAL EXPRESS OF MARCH 30 REPORTS THAT  
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THE GOI WILL BUY IRAQI CRUDE AT A CASH DOWN PAYMENT RATE

OF DOLS 5.86 PER BARREL FOR A TOTAL OF 2.8 MILLION TONS (20.3 MILLION BARRELS) FOR DELIVERY DURING 1974. (THIS IS ROUGHLY THE VOLUME REQUIRED TO SUPPLY ONE PUBLIC SECTOR REFINERY - COCHIN? - ONE YEAR.) THE DIFFERENCE BETWEEN THIS CASH PAYMENT AND THE "TOTAL VALUE OF THE CRUDE" (UNDISCLOSED) ACCOUNTS FOR THE PREVIOUSLY REPORTED DOLS 110 MILLION LOAN TO BE PROVIDED BY IRAQ (REF B). THE PRESS REPORT CONCLUDES THAT THE 2.8 MILLION TONS INDIA WILL RECEIVE IN 1974 MAY THEREFORE AVERAGE ABOUT DOLS 10.86 PER BARREL.

2. REF A NOTED THAT INDIA HAD SECURED MAJOR CONCESSIONS AMOUNTING TO DOLS 250 MILLION PER YEAR FROM IRAN AND IRAQ. THE INDO/IRANIAN FORMULA EMERGED RATHER CLEARLY (AS REPORTED), AND INDICATIONS WERE THAT, WHILE AN INDO/IRAQI ARRANGEMENT MAY BE DIFFERENT IN FORM, IT WOULD HAVE THE SAME EFFECT. UNDER BOTH AGREEMENTS, INDIA WOULD TAKE DELIVERY OF SPECIFIED QUANTITIES OF CRUDE ON A POSTED PRICE-FORMULATED DOWN PAYMENT BASIS INITIALLY. THIS WOULD BE FOLLOWED NEXT BY A FIVE-YEAR MORATORIUM AND, FINALLY, FULL PAYBACK DURING THE ENSUING FIVE YEARS AT 2.5 PERCENT INTEREST.

3. REF B FURTHER SUPPORTED OUR INDO/IRANIAN AGREEMENT FINDINGS, INDICATING THAT INDIA WOULD APY DOLS 3.50 PER BARREL CASH AT THE TIME OF PURCHASE, SUPPLEMENTED BY DOLS 8.00 PER BARREL REPAYMENT IN COMMODITIES AND SERVICES AFTER A FIVE-YEAR GRACE PERIOD. UNDER THIS AGREEMENT, INDIA REPORTEDLY IS TO RECEIVE 2.4 MILLION TONS (17.4 MILLION BARRELS) ANNUALLY OF LIGHT IRANIAN CRUDE PURCHASED FROM THE NATIONAL IRANIAN OIL CORPORATION (NIOC). NEITHER THE TOTAL VOLUME NOR THE DELIVERY TIME LIMIT HAVE BEEN DISCLOSED.

4. COMMENT: MUCH REMAINS TO BE SORTED OUT AND CONFIRMED REGARDING INDO-IRAQI DEALS IN OIL. IT IS NOT CLEAR, FOR EXAMPLE, IF THIS NEW AGREEMENT (FOR INDIA'S PURCHASE OF 2.8 MILLION TONS OF CRUDE IN 1974) IS TO BE PART OF THE MUCH LARGER, 112 MILLION-TON, INDO/IRAQI "AGREEMENT" ANNOUNCED NEARLY A YEAR AGO (REF C). IN ITS ORIGINAL FORM, IRAQ LIMITED OFFICIAL USE

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AGREED TO PROVIDE INDIA A TOTAL OF 112 MILLION TONS OF CRUDE, BEGINNING WITH 5 MILLION TONS IN 1976, AND RISING TO 10 MILLION TONS ANNUALLY DURING THE PERIOD 1978-87. CURRENT REPORTS, HOWEVER, ALLUDE TO THE POSSIBILITY THAT THE ORIGINAL AGREEMENT WILL BE BROUGHT INTO EFFECT IN 1974-- WITH PRICES AND VOLUMES TO BE RENEGOTIATED "PERIODICALLY". (AFTER ALL, INDIA MAY NOT NEED THIS CRUDE SPECIFICALLY BY, SAY, 1980 IF ITS OWN OFFSHORE EXPLORATION EFFORTS

PROVE SUCCESSFUL AND/OR IF THE GOI'S ONSHORE CONCESSION  
IN IRAQ BECOMES A PRODUCER.) IN ANY EVENT, THE PRESENT  
INDO/IRAQI ARRANGEMENT RAISES QUESTIONS OF ITS OWN--  
FOR EXAMPLE, IN COSTS.  
SCHNEIDER

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## Message Attributes

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